

# **PUBLIC DISCLOSURE**

**November 15, 2010**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Capitol City Bank & Trust Company  
Cert # 33938**

**562 Lee Street, S. W.  
Atlanta, Georgia 30310**

**Federal Deposit Insurance Corporation  
10 Tenth Street, N.E., Suite 800  
Atlanta, Georgia 30309-3906**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Capitol City Bank & Trust Company** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **November 15, 2010**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

**Lending Test: Satisfactory**

- **Loan-to-Deposit Ratio Analysis:** The average net loan-to-deposit ratio reflects the bank is responsive to meeting credit needs through reinvestment of deposit dollars into loans.
- **Lending in Assessment Area:** A majority of the sampled loans were originated within the bank's assessment areas.
- **Lending to Borrowers of Different Incomes and Businesses of Different Sizes:** The distribution of home loans to individuals reflects a low level of lending to low- and moderate-income borrowers. Small business lending reflects a reasonable penetration among businesses of different sizes, including small businesses.
- **Geographic Distribution of Loans:** The geographic distribution of home and small business loans reflects an excellent dispersion throughout the assessment areas.
- **Response to Complaints:** The bank has not received any CRA-related complaints since the previous CRA performance evaluation as of May 5, 2005.

**Community Development Test: Satisfactory**

The community development test is rated satisfactory for the following reasons:

- The bank has a reasonable level of qualified community development loans.
- The bank has a high level of community development services benefiting low- and moderate-income individuals. Branch locations and retail services are considered reasonable.
- The bank has a limited volume of community development investments.

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## SCOPE OF EXAMINATION

Capitol City Bank & Trust Company's (Capitol City Bank) performance was assessed using Intermediate Small Bank CRA Evaluation Procedures. These procedures evaluate the CRA performance of a bank's lending relative to five performance categories: average net loan-to-deposit ratio, lending in the assessment area, lending to businesses of different sizes and borrowers of different incomes, geographic distribution of loans, and response to CRA-related complaints. In addition, the bank is subject to the Community Development Test.

The bank is subject to the Home Mortgage Disclosure Act (HMDA). Therefore, loan data collected and reported pursuant to the HMDA for 2008 and 2009 and data collected in year-to-date 2010 were analyzed. The review also considered small business loans originated between November 1, 2009, and October 31, 2010. For CRA purposes, a "small business loan" is one originated in an amount of \$1 million or less and included in the Call Report of Condition categories of Loans Secured by Nonfarm Nonresidential Properties and Commercial and Industrial Loans. Primary emphasis was placed on the bank's origination of small business loans, since these comprise the largest portion of the bank's loans portfolio (77 percent). Consumer and small farm loans were not reviewed, as these loan categories do not constitute a significant portion of the loan portfolio. Information about the bank's loan portfolio composition is found under the **Description of Institution** section of this evaluation.

Aggregate HMDA data from 2008 and 2009 served as comparison data for the bank's home lending performance. Aggregate HMDA data is lending data reported by other financial institutions in the bank's assessment areas; it also provides a measure of the demand and opportunities for such lending in the assessment areas. Aggregate HMDA data is not available for 2010. Census data, including the income level of families and owner-occupied housing units by geographic income level, were also used in the home lending analysis. For small business lending, Dun & Bradstreet (D&B) data was used for comparison purposes and is information on non-farm businesses operating in the assessment areas.

The distribution of the bank's lending performance focused primarily on the number of loans originated in the assessment areas, as opposed to the dollar volume of such loans.

Given the geographic dispersion of the bank's offices and assessment areas, it was necessary to analyze bank performance by assessment area. Since a majority of lending occurred in the Atlanta-Sandy Springs-Marietta, Georgia Metropolitan Statistical Area (Atlanta MSA), a full analysis was performed here and received the most weight when assigning the overall rating. Since far less lending activity occurred in the remaining assessment areas, a limited scope review was conducted in those areas. Specific details about the bank's assessment areas are included under the **Description of Assessment Area** section of this evaluation.

## DESCRIPTION OF INSTITUTION

Capitol City Bank is wholly-owned by Capitol City Bancshares, Inc., a one-bank holding company located in Atlanta, Georgia. Since the previous CRA evaluation, the bank opened one branch office and closed none. The bank operates eight full service offices in Georgia, which provide automatic teller machine (ATM) and drive-through services, except at the Airport location. Five offices, including the main office, are located in the Atlanta MSA in Fulton and DeKalb Counties. The remaining three offices are located in Albany, Augusta, and Savannah, Georgia and in the following MSAs, respectively: the Albany, Georgia MSA (Albany MSA), the Augusta-Richmond County, Georgia-South Carolina MSA (Augusta MSA), and the Savannah, Georgia MSA (Savannah MSA). As of September 30, 2010, the bank had total assets of \$304,751,000 and total deposits of \$278,822,000. Capitol City Bank's loan portfolio composition, as of September 30, 2010, is presented in the table below.

<b>Table 1 – Loan Portfolio Distribution as of September 30, 2010</b>		
<b>Loan Category</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	24,343	10.19
Secured by Farmland	130	.05
1-4 Family Residential	20,754	8.68
Multi-Family (5 or more) Residential	5,281	2.21
Secured by nonfarm nonresidential properties	177,898	74.44
<b>Total Real Estate Loans</b>	<b>228,406</b>	<b>95.57</b>
Agricultural	0	0
Commercial and Industrial	8,541	3.57
Consumer	2,989	1.25
Obligations of states and political subdivisions	0	0
Other	122	.05
Less: Unearned Income	(1,073)	(.44)
<b>Total Loans</b>	<b>238,985</b>	<b>100</b>

*Source: September 30, 2010, Consolidated Report of Condition and Income*

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The bank's business plan emphasizes commercial loans (loans secured by nonfarm nonresidential properties and commercial and industrial loans), which represent 77 percent of the loan portfolio. Construction and land development loans and residential real estate secured loans represent 10 percent and nine percent, respectively.

Internal and external factors have adversely impacted the bank's CRA performance. On January 20, 2010, the bank entered into a Cease and Desist Order with the Federal Deposit Insurance Corporation and the Georgia Department of Banking and Finance. The Order includes provisions requiring the bank to increase and maintain capital, revise lending policies/practices, reduce certain assets and concentrations of credit, and provide notice concerning asset growth. The Order has adversely impacted bank lending in the assessment areas, which has resulted in a nominal volume of loans being originated during 2010. These provisions have also had an impact on bank performance under the CRA community development test. Also, the bank operates in a highly competitive market, and significant changes have occurred in the local economy, including increased unemployment and bankruptcy rates, which have affected the residential and commercial markets.

Capitol City Bank's CRA performance was previously evaluated as of May 5, 2005, when the bank was assigned a Satisfactory rating. Small bank CRA examination procedures were utilized.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires a financial institution to identify one or more assessment areas within which its regulatory agency will evaluate the bank's performance. An institution delineates its assessment area(s) to include the geographies where the bank has its main office, branches, and other deposit taking remote service facilities, as well as the surrounding areas, in which the bank has originated or purchased a substantial portion of its loans.

The bank delineated four assessment areas in Georgia, based on the location of its main office and branch offices. The Atlanta MSA is comprised of DeKalb, Fulton, and Clayton Counties, which are all contiguous. The Augusta assessment area includes Richmond County, which is part of the Augusta MSA; the Savannah assessment area includes Chatham County, which is part of the Savannah MSA; and the final assessment area includes Dougherty County, which is located in the Albany MSA. The assessment areas include whole geographies and do not arbitrarily exclude any low- and moderate-income areas that the bank is reasonably expected to serve. The combined assessment areas include 496 census tracts comprised of 112 upper-income census tracts, 133 middle-income census tracts, 146 moderate-income census tracts, 103 low-income census tracts, and two census tracts for which income is not applicable.

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## **Income Demographics and Housing Characteristics**

### **Combined Assessment Areas**

According to 2000 U.S. Census Bureau data, there are 852,339 households in the combined assessment areas, of which 63 percent are families. Of the 539,394 families, 25 percent are low-income, 18 percent are moderate-income, 20 percent are middle-income and 37 percent are upper-income. Approximately 13 percent of households are below the poverty threshold, with three percent receiving public assistance. Eleven percent of the families are below the poverty threshold. The assessment areas contain 917,975 housing units. Of these units, 52 percent are owner-occupied, 41 percent are renter-occupied, and seven percent are vacant. The housing units are comprised of 70 percent one-to four family units, 28 percent multi-family units (five or more), and two percent mobile homes. The median housing value in the assessment areas is \$154,031.

### **Atlanta Assessment Area**

According to 2000 U.S. Census Bureau data, there are 652,929 households in the assessment areas, of which 62 percent are families. Of the 405,272 families, 25 percent are low-income, 18 percent are moderate-income, 20 percent are middle-income and 37 percent are upper-income. Approximately 11 percent of the households are below the poverty threshold with three percent receiving public assistance. Ten percent of the families are below the poverty threshold. The assessment areas contain 696,324 housing units. Of these units, 52 percent are owner-occupied, 42 percent are renter-occupied, and six percent are vacant. The housing units are comprised of 67 percent one-to four family units, 32 percent multi-family units (five or more), and one percent mobile homes. The median housing value within the assessment area is \$172,216.

Information for the individual counties that comprise the four assessment areas is detailed below.

**Clayton County.** As of September 2010, household employment has declined from a year ago but the rate of decline has slowed significantly. The local unemployment rate has increased slightly from a year ago and is more than the national rate. This is likely the result of employment declines in transportation and utilities, the largest industry in the county. While the population in Clayton County has remained relatively unchanged, *SNL* predicts a future increase of approximately seven percent by 2015. Poverty in 2009 neared 16 percent and was greater than the U.S. rate of 14 percent according to the U.S. Census Bureau. Consumer credit conditions are deteriorating as personal bankruptcy filings have increased from a year ago by almost eight percent. Real estate conditions are mixed as single family permits have increased from a year ago.

Home prices appear to be much lower in Clayton County relative to the nation. The housing affordability index indicates that homes are 62 percent more affordable in Clayton County,



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largely due to depressed home prices. According to RealtyTrac, one in 314 housing units received a foreclosure filing in Clayton County in June 2010; lower than the statewide filing rate.

**DeKalb County.** As of August 2010, household employment has declined from a year ago but the rate of decline has slowed. The local unemployment rate is above the state and national rate and is similar to a year ago. The high level of unemployment is likely the result of large declines in the education and health sector. The population in DeKalb County grew slightly in the past year, and *SNL* predicts a further increase of nearly 5.7 percent by 2015. Poverty increased in 2009 and at 16 percent of the total population, was above the U.S. rate according to the U.S. Census Bureau. Consumer credit conditions are deteriorating, as personal bankruptcy filings have increased by almost 20 percent from a year ago. Real estate conditions are mixed, as single family permits fell dramatically as did the housing affordability index. A declining affordability index is indicative of rising home prices. According to RealtyTrac, one in 217 housing units received a foreclosure filing in DeKalb County in June 2010, higher than the statewide filing rate.

**Fulton County.** As of August 2010, household employment has declined from a year ago but the rate of decline has slowed. Local unemployment is above the state and national rate and is similar to a year ago. The high level of unemployment is likely the result of widespread declines across industry sectors with increases only in the education and health sector. The population in Fulton County increased in the past year, and *SNL* predicts a further increase of nearly 12 percent by 2015. Poverty decreased significantly in 2009 to nearly half of the previous year's rate and the 2009 U.S. rate of 14 percent according to the U.S. Census Bureau. Consumer credit conditions are deteriorating as personal bankruptcy filings have increased by almost 20 percent from a year ago. Real estate conditions are mixed as single family permits fell dramatically, as did the housing affordability index. A decrease in the affordability index is indicative of rising home prices. According to RealtyTrac, one in 236 housing units received a foreclosure filing in Fulton County in June 2010, slightly higher than the statewide filing rate.

### **Albany Assessment Area**

**Dougherty County.** As of September 2010, household employment has decreased from a year ago and local unemployment is above the state and national rate. This is likely the result of employment declines in manufacturing. The population in Dougherty County increased in the past year, but *SNL* predicts that from 2010 to 2015, the population will remain relatively stable. Poverty in 2009 was approximately 27 percent, almost double the U.S. rate of 14 percent according to the U.S. Census Bureau. Poverty rates above 20 percent are common for this county.

Consumer credit conditions are slowly improving as total bankruptcy filings have declined by about four percent from a year ago. Real estate conditions are mixed, as single family permits increased. The housing affordability index is more than 50 percent higher than the national

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index. Although local incomes are much lower than the national median, it appears the disparity in affordability is attributed to local home prices, which have declined more than the nation. According to RealtyTrac, one in 528 housing units received a foreclosure filing in Dougherty County in June 2010, significantly lower than the statewide filing rate.

### **Augusta Assessment Area**

**Richmond County.** Unemployment has followed many of the same trends as the state over the past decade, as well as being at a similar level. In July 2010, the seasonally-adjusted unemployment rate was 10.4 percent, which was slightly higher than the state rate of 9.9 percent. The government and education and health sectors are the county's largest employers, according to the Bureau of Labor Statistics. Both sectors have grown over the decade. The education and health sector has grown rapidly and added almost 2,700 jobs since 1999. Government employment has grown more moderately and has added about 270 jobs. The growth of these sectors is similar to nationwide trends. According to *SNL*, Richmond County's estimated 2010 population was 199,692 persons. Population is projected to increase 0.57 percent by 2015, while the state and national populations are expected to increase 7.48 percent and 3.85 percent, respectively. The estimated median household income for 2010 is \$40,579, lower than the state and national medians. In 2009, the personal bankruptcy filing rate was 8.7 filings per one thousand residents, higher than the state rate of 7.7 filings per one thousand residents. In 2009, the poverty rate was 23.8 percent, much higher than the state rate of 14.7 percent. Residential permitting in the county has shrunk over the past year. Year-to-date through July 2010, the county had issued 4,717 total residential permits, 21.6 percent lower than the 6,020 issued through the same month of 2009. Over 83 percent of the permits issued in 2010 have been for single family units. In second quarter 2010, the median sales price of an existing single-family home was \$87,100, much lower than the state median of \$109,600 as well as the national median of \$170,200. Housing affordability in second quarter 2010 was 0.3 percent lower than a year ago but was slightly higher than at the state level.

### **Savannah Assessment Area**

**Chatham County.** As of August 2010, household employment had declined from a year ago but the rate of decline has slowed. The local unemployment rate remains elevated at nearly nine percent, which is higher than a year ago but lower than the state and national rate. These improvements are likely the result of relative stability in the education and health services and the government sectors. The population in Chatham County grew strongly in the past year, and *SNL* estimates a further increase of about five percent by 2015.

This growth would be similar to other counties in the area. Poverty increased in 2008 and, at 17 percent of the total population, was well above the U.S. rate, according to U.S. Census Bureau. Consumer credit conditions are worsening as personal bankruptcy filings have increased by more than six percent from a year ago. Real estate conditions are mixed. Single family permits are

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stable and the housing affordability index has increased slightly, which is indicative of falling home prices. According to RealtyTrac, one in 460 housing units received a foreclosure filing in Chatham County in June 2010, much lower than the statewide filing rate.

### **Competition**

The Atlanta assessment area includes an extremely competitive banking environment for Capitol City Bank. The June 30, 2010, FDIC Report of Offices and Deposits of all FDIC-insured institutions shows there are 59 commercial banks, with 507 offices operating here. These offices had a total of \$67,031,884,000 in deposits. The top four financial institutions based on deposit market are SunTrust Bank, Wells Fargo N.A., Bank of America N.A., and Branch Banking and Trust Company. Capitol City Bank is ranked 18<sup>th</sup>, with a market share of 8.16 percent.

Within the Albany assessment area, 12 banks operated 28 offices in Dougherty County on June 30, 2010. Capitol City Bank ranked 11<sup>th</sup>, with a market share of .92 percent.

Within the Augusta assessment area, 13 banks operated 44 offices in Richmond County on June 30, 2010. Capitol City Bank ranked 13<sup>th</sup>, with a market share of .46 percent.

Within the Savannah assessment area, 21 banks operated 100 offices in Chatham County on June 30, 2010. Capitol City Bank ranked 20<sup>th</sup>, with a market share of .20 percent.

### **Community Contact**

CRA evaluation procedures include contacting area leaders to discuss the needs and development of the community, as well as the involvement of local financial institutions. Individuals interviewed provide information, based upon their knowledge and expertise in the housing and/or economic sectors. During this CRA evaluation, the information from a recently conducted community contact was reviewed. According to the contact, who was with the Economic Development Corporation of Fulton County, the economic condition of Fulton County is flat and development is at a standstill. Atlanta is home to many service-based versus industrial-based businesses. Several of the area small and new businesses are actively seeking financing; however, many area banks have limited their access to capital due to current economic conditions. The contact has been working on several projects with limited willingness by banks to finance such. Further, the contact stated banks are beginning to charge fees to compensate for income lost from not originating loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

#### **Loan-to-Deposit Ratio**

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The average loan-to-deposit ratio of 80.19 percent reflects that deposit dollars are being reinvested into the community in the form of loans. This meets the standards for satisfactory performance, given the institution's size, financial condition, and the assessment area credit needs.

Capitol City Bank's average net loan-to-deposit ratio was reviewed, considering its size, structure, and business focus. The loan-to-deposit ratio for the previous 22 quarters since the last CRA evaluation averaged 80.19 percent. Loan and deposit information is derived from the quarterly Call Reports of Condition, and the loan information excludes loan loss reserves and unearned income. Since the previous CRA evaluation, the bank's loan-to-deposit ratio has ranged from 74.70 percent on March 31, 2007 to 84.76 percent as of December 31, 2008.

Bank management indicated Citizens Trust Bank, an Atlanta based, minority owned multi-branch bank, provides competition for both loans and deposits. The bank's average net loan-to-deposit ratio was higher than that of Citizens Trust Bank, which had an average net loan-to-deposit ratio for the same period of 72.48 percent. The bank's average net loan-to-deposit ratio was also compared against the Uniform Bank Performance Report peer group, which consists of 1,195 commercial banks having assets between \$300 million and \$1 billion. The bank's September 30, 2010 loan-to-deposit ratio of 83.27 percent was slightly higher than the peer average of 79.69 percent for the same date. The bank's average net loan-to-deposit ratio for the previous 22 quarters at 80.19 was slightly lower than the peer group average of 83.61 for the same time period.

### **Lending Inside the Assessment Area**

The bank has originated a majority of the sampled loans within the assessment areas. This meets standards for satisfactory performance.

The bank extended 82 percent by number and 89 percent by dollar volume of sampled loans in the assessment area. Refer to Table 2.

**Table 2– Distribution of Loans Inside and Outside of the Assessment Area**

Loan Category	Number of Loans					Dollar Volume of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$ (000s)	%	\$ (000s)	%	(000s)
<b>HMDA 2008</b>	41	77	12	23	53	\$7,918	85	\$1,418	15	\$9,336
<b>HMDA 2009</b>	44	92	4	8	48	\$6,637	94	\$399	6	\$7,036
<b>HMDA 2010</b>	20	80	5	20	25	\$5,039	92	\$421	8	\$5,460
<b>HMDA Total</b>	<b>105</b>	<b>83</b>	<b>21</b>	<b>17</b>	<b>126</b>	<b>\$19,594</b>	<b>90</b>	<b>\$2,238</b>	<b>10</b>	<b>\$21,832</b>
<b>Small Business</b>	35	80	9	20	44	\$5,516	85	\$950	15	\$6,466
<b>Combined Total</b>	<b>140</b>	<b>82</b>	<b>30</b>	<b>18</b>	<b>170</b>	<b>\$25,110</b>	<b>89</b>	<b>\$3,188</b>	<b>11</b>	<b>\$28,298</b>

*Source: Bank Records*

## **ATLANTA ASSESSMENT AREA (Reviewed Using Full Scope Procedures)**

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

Small business lending to businesses with gross annual revenues of \$1 million and less was reasonable. However, home loan lending to low- and moderate-income borrowers was limited.

#### Small Business Loans

Table 3 reflects that a majority of loans originated in the assessment area (65 percent) are classified as “small businesses,” as they report gross annual revenues of \$1 million or less. Also, Capitol City Bank granted 63 percent by dollar volume of these loans to businesses reporting gross revenue of \$1 million or less. The 2010 D&B data reflects that 77 percent of the businesses in the assessment area have gross annual revenues of \$ 1 million or less. However, approximately 19 percent of assessment area businesses did not report revenue information.

Table 3 – Distribution of Business Loans by Gross Annual Revenues					
Gross Annual Revenues	Businesses in the Assessment Area	Distribution of Small Business Loans Sampled			
	%	#	%	\$ (000s)	%
\$0 - <\$100,000	77	1	4.35	\$31	.72
\$100,000 - < \$250,000		4	17.39	\$623	14.42
\$250,000 - < \$500,000		6	26.09	\$1,408	32.56
\$500,000 - < \$1 million		4	17.39	\$680	15.74
<b>Subtotal</b>	<b>77</b>	<b>15</b>	<b>65.22</b>	<b>\$2,742</b>	<b>63.44</b>
> \$1 million	4	7	30.43	\$1,579	36.54
Revenue Not Reported	19	1	4.35	\$1	.02
<b>Total</b>	<b>100</b>	<b>23</b>	<b>100</b>	<b>\$4,322</b>	<b>100</b>

Source: Bank Records and 2010 D&B Data

Factors influencing small bank lending were discussed under the **Description of Institution** section of this evaluation.

### Home Mortgage Loans

For purposes of CRA evaluations, individuals are categorized as low-, moderate-, middle-, and upper-income based on their respective income levels as a percentage of the current median family income (MFI) for the geography where the assessment area was located. Therefore, in order to determine the income category of each home loan, each borrower's income was compared to the Department of Housing and Urban Development's (HUD's) 2008, 2009, and 2010 MFI for the Atlanta MSA. Table 4 depicts the income levels per year.

Table 4 – Median Family Income Ranges (HUD Estimated)				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥\$120%
Atlanta MSA Median Family Income				
2008 (\$69,200)	<\$34,600	\$34,600 to <\$55,360	\$55,360 to <\$83,040	≥\$83,040
2009 (\$71,700)	<\$35,850	\$35,850 to <\$57,360	\$57,360 to <\$86,040	≥\$86,040
2010 (\$71,800)	<\$35,900	\$35,900 to <\$57,440	\$57,440 to <\$86,160	≥\$86,160

Source: HUD

Home mortgage lending in the Atlanta MSA reflects an unfavorable penetration among of low- and moderate-income borrowers.

In 2008, Capitol City Bank made one loan to a low-income borrower and two loans to moderate-income borrowers. Bank lending in each of these two income categories was substantially less than comparable data (both the level of low- and moderate-income families and aggregate HMDA performance). In 2009, the bank's total number of HMDA loans increased to 31 loans, as well as the loans to low- and moderate-income borrowers (three loans in each category of borrower). Bank lending to low-income borrowers exceeded aggregate data but was below the percentage of low-income families. Lending to moderate-income borrowers was lower than aggregate lending performance and the percentage of moderate-income families. Lending in year-to-date 2010 decreased to 17 loans. No loans were originated to low-income borrowers, and the bank made only two loans to moderate-income borrowers.

<b>Table 5 - Distribution of HMDA Loans by Income Category of the Borrower</b>							
<b>Income Level</b>	<b>Percentage of Families</b>	<b>Aggregate HMDA Data 2008</b>		<b>2008 Performance</b>			
		<b>Percentage by Number</b>	<b>Percentage by Dollar Volume</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	25.00	7.87	3.42	1	4.00	398	5.85
Moderate	18.22	21.18	12.96	2	8.00	240	3.53
Middle	19.44	20.03	16.00	2	8.00	114	1.67
Upper	37.33	38.81	52.45	5	20.00	1,252	18.39
NA	--	12.12	15.16	15	60.00	4,804	70.56
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>6,808</b>	<b>100</b>

*Source: U. S. Census data, 2008 HMDA Aggregate data, and 2008 HMDA Disclosure Statement*

<b>Table 6 - Distribution of HMDA Loans by Income Category of the Borrower</b>											
<b>Income Level</b>	<b>Percentage of Families</b>	<b>Aggregate HMDA Data 2009</b>		<b>2009 Performance</b>				<b>2010 Performance</b>			
		<b>Percentage by Number</b>	<b>Percentage by Dollar Volume</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	25.00	8.08	3.46	3	9.68	853	14.92	--	--	--	--
Moderate	18.22	16.25	10.02	3	9.68	230	4.02	2	11.76	397	8.65
Middle	19.44	16.64	13.93	5	16.13	705	12.33	1	5.88	74	1.59
Upper	37.33	41.26	57.12	4	12.90	753	13.17	1	5.88	115	2.51
NA	--	17.76	15.47	16	51.61	3,176	55.55	13	76.47	4,004	87.25
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>31</b>	<b>100</b>	<b>5,717</b>	<b>100</b>	<b>17</b>	<b>100</b>	<b>4,590</b>	<b>100</b>

*Source: U. S. Census data, 2009 HMDA Aggregate data, 2009 HMDA Disclosure Statement, and 2010 HMDA Loan Application Register*

However, it is noted that home lending is not a major product line for the bank. A substantial majority of the bank's home loans are classified as non-owner occupied property originated to corporations and/or Limited Liability Corporation for which income is not reported. This type of lending is reflective of and consistent with the bank's business focus of commercial lending. Further, approximately 25 percent of low-income families make up the population in the Atlanta assessment area; approximately 40 percent of the low-income families and 10 percent of all families in the assessment area live below the poverty level. Families living below the poverty level may have difficulty qualifying for home loan financing. Therefore, the percentage of low-income families in the assessment area who may qualify for home loan financing is actually less than that portrayed. Finally, the other factors influencing home lending were discussed under the **Description of Institution** section of this evaluation.

### **Geographic Distribution of Lending**

The geographic distribution of both home mortgage and business loans reflects an excellent dispersion in this assessment area.

#### Small Business Loans

Capitol City Bank's geographic distribution of small business loans reflects an excellent dispersion throughout the assessment area, specifically within low- and moderate-income census tracts. Bank lending in low-income geographies (39 percent) exceeded the percentage of businesses located in those geographies (nine percent). Bank lending in moderate-income geographies (52 percent) exceeded the percentage of businesses located in those geographies (21 percent). Refer to Table 7.

<b>Table 7 – Distribution of Business Loans by Income Category of the Geography</b>					
<b>Tract Income Level</b>	<b>D&amp;B Data Percentage of Businesses</b>	<b>Distribution of Commercial Loans</b>			
	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
<b>Low</b>	9.29	9	39.13	\$2,465	57.03
<b>Moderate</b>	21.19	12	52.17	\$1,729	40.00
<b>Middle</b>	25.14	1	4.35	\$15	0.35
<b>Upper</b>	44.38	1	4.35	\$113	2.62
<b>Total</b>	<b>100</b>	23	100	4,322	100

*Source: 2010 D&B Data and Bank Records*



## Home Mortgage Loans

Bank lending in 2008 and 2009 in low-income census tracts substantially exceeded aggregate lender performance and the percentage of owner-occupied housing units in low-income tracts. Bank lending in 2008 and 2009 in moderate-income geographies substantially exceeded aggregate lender performance and the percentage of owner-occupied housing units in moderate-income tracts, although bank lending in 2009 in moderate-income tracts was slightly less than but comparable to the demographic data. Bank lending in 2010 in low-income tracts exceeded demographic data and in moderate-income tracts was comparable to demographic data.

<b>Table 8 - Distribution of HMDA Loans by Income Category of the Geography</b>							
<b>Tract Income Level</b>	<b>Owner Occupied Housing</b>	<b>Aggregate HMDA Data 2008</b>		<b>2008 Performance</b>			
		<b>Percentage by Number</b>	<b>Percentage by Dollar Volume</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	6.14	7.90	6.39	9	36.00	2,697	39.62
Moderate	23.77	23.43	15.98	9	36.00	2,627	38.59
Middle	30.46	30.55	23.23	2	8.00	117	1.72
Upper	39.63	38.12	54.40	5	20.00	1,367	20.08
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>6,808</b>	<b>100</b>

Source: U. S. Census data, 2008 HMDA Aggregate data, and 2008 HMDA Disclosure Statement

<b>Table – 9 Distribution of HMDA Loans by Income Category of the Geography</b>											
<b>Tract Income Level</b>	<b>Owner Occupied Housing</b>	<b>Aggregate HMDA Data 2009</b>		<b>2009 Performance</b>				<b>2010 Performance</b>			
		<b>Percentage by Number</b>	<b>Percentage by Dollar Volume</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	6.14	5.41	4.33	6	19.35	1,181	20.66	3	17.65	366	7.98
Moderate	23.77	17.83	11.78	7	22.58	1,006	17.60	4	23.53	458	9.98
Middle	30.46	26.77	19.62	8	25.81	827	14.47	2	11.76	424	9.22
Upper	39.63	49.99	64.26	10	32.26	2,703	47.28	8	47.06	3,342	72.83
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>31</b>	<b>100</b>	<b>5,717</b>	<b>100</b>	<b>17</b>	<b>100</b>	<b>4,590</b>	<b>100</b>

Source: U. S. Census data, 2009 HMDA Aggregate data, 2009 HMDA Disclosure Statement, and 2010 HMDA Loan Application Register

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## **ALBANY ASSESSMENT AREA (Reviewed Using Limited Scope Procedures)**

The bank extended 20 percent by number of the small business loans sampled during the review period and 9.5 percent of HMDA loans in the Albany assessment area. Based on this limited review, lending performance in this area is consistent with the institution's overall lending performance.

### Small Business Loans

Bank lending to small businesses is less than the percentage of those businesses in the assessment area. The bank originated 42.85 percent by number and 35.88 percent of small business loans by dollar volume to small businesses. The 2010 D&B data indicated 95.46 percent of the reporting businesses in the assessment area had gross revenues of \$1 million or less. However, approximately 20.78 percent of the businesses in the assessment area did not report revenue information. The bank's geographic distribution of small bank lending was excellent when compared to the percentage of businesses located in low-and moderate-income census tracts. The bank originated 14.29 percent of loans in low-income census tracts, which was greater than the number of businesses located in low-income census tracts (11.82 percent). The bank originated 42.86 percent of loans in moderate-income census tracts, which was greater than the businesses located in the moderate-income census tracts (37.50 percent).

### Home Mortgage Loans

During the evaluation period, the bank originated no loans to low-income borrowers in this assessment area. Approximately 28 percent of the families in this assessment area are low-income, and 70 percent of the low-income families in the assessment area and 20 percent of the all families in the assessment area live below the poverty level. Families living below the poverty level may have difficulty qualifying for home loan financing. Therefore, the percentage of low-income families in the assessment area who may qualify for home loan financing is actually less than that portrayed. The bank's lending to low-income borrowers was generally reasonable when compared to the demographics of the area. Bank lending to moderate-income borrowers compares and/or is slightly above the demographics of the area. With respect to the geographic distribution of lending, bank performance was reasonable when compared to the percentage of owner-occupied housing units in low-and moderate-income census tracts. The bank originated a high volume loans in low-income census tracts, with the exception of 2010. In 2008 bank lending performance was higher and in 2009 the bank's performance was lower than the percentage of owner-occupied housing units. No loans were originated in moderate-income census tracts in 2010.

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## **AUGUSTA ASSESSMENT AREA (Reviewed Using Limited Scope Procedures)**

The bank extended 5.71 percent by number of the small business loans sampled during the review period and 10.48 percent of the home loans in the Augusta assessment area. Based on this limited review, bank lending performance in this area is consistent with the institution's overall lending performance.

### Small Business Loans

The bank only originated two small business loans in this assessment area. Based on the limited number of loans, a meaningful analysis could be not conducted.

### Home Mortgage Loans

Lending activity in this assessment area to low-income borrowers was limited to originations in 2008. However, approximately 27 percent of the families within this assessment area are low-income and 59 percent of the low-income families in the assessment area and 16 percent of all assessment area families live below the poverty level. Families living below the poverty level may have difficulty qualifying for home loan financing. Therefore, the percentage of low-income families in the assessment area who may qualify for home loan financing is actually less than that portrayed. The bank's lending to low-income borrowers was generally reasonable when compared to the demographics of the area and mitigating factors reflected throughout the analysis. The bank did not originate any loans to moderate-income borrowers. With respect to the geographic distribution of lending, bank performance was reasonable compared to the percentage of owner-occupied housing units in low-and moderate-income census tracts. The bank originated a high volume of loans in low-income census tracts, with the exception of 2010. In 2008, lending was higher and, in 2009, bank performance was lower the percentage of owner-occupied housing units. No loans were originated in moderate-income census tracts in 2010.

## **SAVANNAH ASSESSMENT AREA (Reviewed Using Limited Scope Procedures)**

The bank extended 8.57 percent by number of the small business loans sampled during the review period and 10.48 percent of home loans in the Augusta assessment area. Based on this limited review, bank lending performance in this area does not compare to the institution's lending performance overall.

### Small Business Loans

The bank only originated three small business loans. Based on the limited number of loans, a meaningful analysis could be conducted.

### Home Mortgage Loans

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A review of home lending to borrowers of different incomes is less than reasonable. Please refer to mitigating factors addressed in the above sections. During the evaluation period, no loans to low- and moderate-income borrowers were originated in the Savannah assessment area. With respect to the geographic distribution of lending, bank performance was reasonable compared to the percentage of owner-occupied housing units in low-and moderate-income census tracts. The bank originated a high volume loans in low-income census tracts with the exception of 2010. In 2010 bank lending performance was higher and, in 2009, bank performance was lower the percentage of owner-occupied housing units. No loans were originated in moderate-income census tracts in 2008.

### **Response to Consumer Complaints**

The bank has not received any CRA-related complaints since the prior CRA evaluation.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices that are inconsistent with helping to meet community credit needs.

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## COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated "Satisfactory." This determination was made, based on the bank's community development lending, investments, and services in relation to the opportunities and needs for community development in the assessment areas. The bank's community development activities are focused on services, with the greatest identified need being the provision of full service banking products and services. The bank also actively maintains membership on several community development organizations to help ensure community development needs are identified and met.

The following definitions are used in evaluating community development performance:

Community Development: 1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's (SBA)

Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; and 4) activities that revitalize or stabilize low- and moderate-income geographies or distressed or underserved non-metropolitan middle-income geographies.

### **Community Development Lending**

Between 2005 and 2009, the bank extended ten community development loans totaling \$6,853,261, which represents 2.87 percent of the bank's net loans; no community development loans were made in 2010. Considering the size and resources of the financial institution, the community development needs of the assessment area, and the financial constraints mentioned elsewhere in this evaluation, this is an appropriate level of loans. Table 10 details the bank's community development loans for each year in the evaluation period.

<b>Table 10 - Community Development Loans 2005 - 2010</b>		
<b>Type</b>	<b>Number</b>	<b>Dollar Volume</b>
<b>2005:</b>		
Affordable Housing Construction	2	\$1,681,885
<b>2005 Total</b>	2	\$1,681,885
<b>2006:</b>		
Affordable Housing	1	\$1,578,383
Community Services	1	\$19,150
<b>2006 Total</b>	2	\$1,597,533
<b>2007:</b>		
Community Services	1	\$506,562
<b>2007 Total</b>	1	\$506,562
<b>2008:</b>		
Community Services	2	\$1,146,356
<b>2008 Total</b>	2	\$1,146,356
<b>2009:</b>		
Affordable Housing	3	\$1,920,925
<b>2009 Total</b>	3	\$1,920,925
<b>2010: None</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>10</b>	<b>\$6,853,261</b>

The following are notable community development loans originated by Capitol City Bank during the evaluation period:

- Six loans totaling \$5,181,193 were extended for apartment complexes that accommodated low- and moderate-income individuals and families in the assessment area.
- One loan totaling \$506,561 was extended to a health clinic that provides affordable medical service at fixed-prices. This clinic primarily serves low- and moderate-income families.
- The bank has extended two loans totaling \$1,146,356 for the purpose purchasing and refinancing the construction of childcare facilities that primarily accommodate low- and moderate-income individuals and families in the assessment area.

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## **Qualified Investments**

In 2010, the bank made five qualified investments (donations) totaling \$8,550; prior to 2010, the bank made an additional \$1,200 in qualified donations. The organizations the donations benefited included local schools, social services organizations, and local nonprofit organizations. Although the level of qualified investments appears low in relation to the bank's size, its ability has been limited, due to the financial constraints mentioned elsewhere in this evaluation.

## **Community Development Services**

The bank provides an adequate level of retail banking and community development services.

### Retail Banking Services

The level of retail banking services is reasonable. Two bank offices are located in low-income census tracts, three bank offices are located in moderate-income census tracts, two offices are located in middle-income census tracts, and one office is located in an upper-income census tracts. All offices are reasonably accessible within the bank's assessment areas and include access to ATMs and drive-through service. While the institution has not closed any branches during the evaluation period, it opened one branch office in Atlanta, Georgia on October 3, 2007.

The bank offers a full line of deposit and loan products to meet the financial needs of individuals and businesses. Deposit services include personal and business accounts, including checking accounts, savings accounts, certificates of deposit, and individual retirement accounts. The bank's hours are reasonable and provide convenient access to customers. The bank also offers safe deposit boxes, notary services, wire transfers, savings bonds, and direct deposit capability. Further, the bank offers personal and business online banking, to include online bill pay. Online banking provides immediate access to deposit accounts 24-hours a day. Customers have the ability to review checking account activity, view check images, transfer money between accounts, place stop payments, and pay bills. The bank's website offers information on products and services and is located at [www.capitolcitybank-atl.com](http://www.capitolcitybank-atl.com).

On a limited basis, the bank provides customers the opportunity to obtain long term mortgages through investors in the secondary market.

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### Community Development Services

Capitol Bank has a high level of community development services. Several services were identified that serve the bank's assessment areas through the provision of services or technical assistance by bank representatives.

<b>Table 11 – Community Development Services</b>			
<b>Brief Service Description</b>	<b>Bank Sponsored Event, Program or Seminar</b>	<b>Technical Assistance or Director Involvement by Bank Employee</b>	<b>Bank Product or Service</b>
Bank officers serve on the West End Merchants Coalition, Inc. This economic development organization serves small business owners in the densest commercial district in Southwest Atlanta.		X	
Bank employees provided financial literacy education through the use of the FDIC Money Smart Program.	X		
Foreclosure prevention presentation	X		
Bank operates 14 in-school banking centers in its assessment areas. All in-school banking centers are located in low- and moderate-income census tracts and a large percentage of those attending these schools receive free and/or reduced lunch.	X		
Bank offers free checking accounts and free online banking services.			X
Bank operates six full-service branch locations in its assessment areas. Two offices are in low-income census tracts and three offices are in moderate-income census tracts. Offices offer ATM and drive-through services.			X
Bank has an additional four ATM machines locations in low- and moderate-income census tracts.			X

*Source: Bank Records.*